TEEKAY LNG PARTNERS' FOURTH QUARTER AND FISCAL 2020 EARNINGS RESULTS CONFERENCE CALL

Company: Teekay LNG Partners L.P.

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Conference Time: 13:00 ET

Operator: Welcome to the Teekay LNG Partners' Fourth Quarter and Fiscal 2020 Earnings Results Conference Call. During the call, all participants will be in a listen-only mode. Afterwards, you will be invited to participate in a question and answer session. At that time, if you have a question you may signal by pressing star one to register for your question. For assistance during the call, please press star zero on your touchtone phone. As a reminder, this call is being recorded. Now for opening remarks and introductions, I would like to turn the call over to the company. Please go ahead.

Scott Gayton: Good morning. I would like to direct all participants to our website, www.teekaylng.com where you will find a copy of the fourth quarter and fiscal 2020 earnings presentation. We will review this presentation during today's conference call.

Please allow me to remind you that our discussion today contains forward-looking statements. Actual results may differ materially from results projected by those forward-looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the fourth quarter and fiscal 2020 earnings release and earnings presentation available on our website.

I'll now turn the call over to Mark Kremin, Teekay Gas Group's president and CEO to begin.

Mark Kremin: Thank you, Scott. Good morning everyone. And thank you for joining us on our fourth quarter and fiscal 2020 earnings call for Teekay LNG partners. We hope that you and your families are all safe and healthy. I'm joined today by Scott Gayton, Teekay Gas Group's CFO.

Before getting into our results, we will take a moment to thank all our seafarers and shore-based staff for the continued dedication to maintain business continuity. We are truly proud of how our onshore colleagues and especially our seafarers have continued to respond to COVID restrictions while maintaining consistently safe and efficient operations for our customers.

Turning to slide three of the presentation we'll review some of Teekay LNG's recent highlights. The fourth quarter of 2020 was a solid quarter for TGPs earnings, with $60 million of adjusted net income or EPU of $0.61. This caps off a record year from Teekay LNG. Our adjusted net income of $234 million and total adjusted EBITDA of $758 million, where the best in our 16 year history, reflecting the multi-year newbuild program, which we completed in early 2020. Towards the end of 2020, we fixed the 52% owned Methane Spirit on a two-plus year contract, which helped increase our fixed contract percentage of our LNG fleet to 97% for this year and nearly 90% for next year. In nd late 2020 and early 2021, the LNG shipping market experienced volatility that we have never before witnessed. But for those who have invested with us for a while know, this really doesn't impact us, given our focus on fixed rate contracts. We have structured our business for the long term and the long-term prospects for LNG are attractive as the world, and China in particular, transitions away from dirtier forms of fuel, such as coal, towards cleaner burning LNG. This has been a well-noted trend for many years and we expect it will continue for the next two decades or more, benefiting our relatively young modern fleet.

Based on the stability of our earnings, the strength of our contracted portfolio, the positive long-term outlook for LNG and our desire to provide our investors with a well-covered distribution, we are announcing another increase to Teekay LNG distributions. The third double digit increase in as many years. We intend to increase the first quarter's distribution by 15%, to $1.15 per common unit per year, starting with the first quarter's distribution to be paid in May. As we will discuss on the last slide, we think Teekay LNG's units represent a compelling investment, now with the forward yield of 8.4%, as of close of market yesterday, or around 8.2% today, which compares favorably to other income-oriented investments.

And we'd like to finish this slide by once again, congratulating our shore-based [inaudible] HR[?] staff for a great accomplishment. We have now relieved all of our overdue seafarers, and we have still not had any COVID cases on board. This is no small feat, and we appreciate all the efforts by our shore-based staff and the patience exhibited by all of our colleagues at sea, as we deploy the full capability of our robust operating organization to work through the many global logistical challenges over the past year. Looking ahead, we will do to make crew relief in the future seamless as possible for everyone.

We now look to slides four and five, which we include in nearly all of our corporate presentations because we believe they set us apart from everyone else in our universe. With the recent extension of the 52% owned Methane Spirit charter to early 2023, our LNG fixed fleet is now 90% fixed for 2021 and 89% fixed for 2022. Our LNG fleet currently transports approximately 8% of the world's seaborne gas for a high quality customers. And with revenue and total adjusted EBITDA backlogs of $8.8 billion and $6.3 billion respectively, our future earnings power is stable. We expect this stability to last well into the future as our average remaining contract tender is 10-plus years. And as we have described before, our ships are a critical component of the LNG infrastructure chain that acts as flexible floating pipelines, which offer loading and destination flexibility.

Turn to slide five. This is one of the reasons our fixed rate take-or-pay contracts have not been impacted over the past few months, or really the past 15 years, by changes in the pricing of natural gas, [inaudible] cancellations, or structural or global imbalances in LNG trade. Our LNG contracts are generally fixed rate with built-in escalators to lock in margins. And our counterparties are blue chip energy names for government back projects. The fixed rate contracts in our portfolio have no unilateral provisions for change in the terms or charter rates. And each of our contracts continues to perform as expected.

We do expect to have one vessel, the fully owned Creole Spirit, trading in the short-term market after her dry-dock ends later this month. We expect to trade this vessel in the market until such time as we can lock her away on a multi-year contract at an attractive rate, as you have seen us do in the past.

Turning to slide six, we look at the global energy mix out to 2040, according to the IEA where natural gas and LNG are key components of the energy transition. The global energy mix is expected to go through significant changes in the next two decades at the macro level. If we look particularly at the expected 30% increase in the demand for natural gas, South and East Asia are expected to make up most of this increase, in part due to the transition away from coal. As can be seen on the chart, coal was the only source of energy, which is expected to decline between now and 2040, dipping below a 20% share of the world's energy demand for the first time in modern history.

The increased demand for gas over coal is based on three factors. First: natural gas is considered to be a bridge to a decarbonized future, in part because natural gas has 50% of the carbon output of coal, and therefore it will benefit from policies which prioritize lower emissions and better air quality. The carbon output of natural gas can be further reduced when combined with carbon capture, which is a big focus area globally. Second: natural gas is viewed as more reliable than many other renewable fuel sources, which based on current technology can be intermittent and difficult to store, and therefore not yet supportive of industrial growth. And third: natural gas is abundant and easy to transport, making its delivered cost affordable to most developing and developed nations.

It's also interesting to note that hydrogen doesn't factor into this list, likely because by 2040 hydrogen is expected to make up 1.7% of energy demand and only 5.6% by 2050. So we are excited about the opportunities that may come from the commercialization of hydrogen, but we don't see it being a meaningful contributor to the energy space for many years to come.

The switching from coal to gas is nothing new, as can be seen on slide seven. As the chart indicates, this phenomenon has been taking place since 2011, led by the United States, looking at the dark blue bars. But China, represented by the red bars, still has a long way to go, which creates an immense opportunity for LNG to be part of the solution towards lower greenhouse gas emissions. Nearly two-thirds of China's electricity generation comes from coal fire plants, or natural gas fire plants account for only 3% of Chinese electricity generation. As a result, we expect Chinese demand for gas to come in two forms; as a cleaner replacement for existing coal fire plants that can transition to gas, and as new power plants are constructed to meet the growing economy's needs. We expect many of these will be gas fire.

Much of this incremental natural gas demand from Asia will shipped in the form of LNG, as can be seen on the chart on slide eight. Asian LNG demand, which is typically longer haul than other areas of the world, is predicted to account for nearly 75% of global LNG demand by 2040, which underpins our long-term expectation that the demand for the services that we provide will remain high into the long-term.

China has aggressive emission targets, many of which are currently not being met. Should these targets be enforced, there will be a power generation gap in China equal to 240 metric tons on an LNG equivalent basis. If we assume that only 40% of this power generation gap is met by switching from coal to cleaner burning gas, an additional 175 to 205 LNG carriers will be required, or over 25% of the LNG trade in 2019. And again, this is an incremental demand to support China's growth ambitions. This demand is just to get China closer to its existing clean air targets.
In summary, we expect the seaborne gas trade will exceed the seaborne coal trade over the next 20 years, greatly benefiting Teekay LNG's existing fleet and provide future growth opportunities.

I will now turn the call over to Scott who will discuss the next two slides before we conclude.

Scott Gayton: Thank you, Mark. On slide nine, as Mark mentioned earlier, this was a record year for Teekay LNG in terms of annual adjusted net income and total adjusted EBITDA, looking at the two charts on the left of this slide. Our earnings and cash flow have grown as our $3.5 billion growth program has delivered and have resulted in EBITDA and earnings CAGRs of 21% and 63% respectively over the past two years. And because we did not issue any common units to fund this growth, our debt balance grew, as can be seen in the top right chart, but we have made significant progress this year, lowering net debt by nearly $560 million, which includes proceeds received on the sale of two LNG carriers in early 2020. And the combination of increased cash flow and lower debt has resulted in drastic deleveraging, as can be seen on the chart to the bottom right.

Our leverage peaked in 2018 as we were taking delivery of vessels, and due to the timing mismatch between debt and cash flow being recognized. But in 2019 and 2020, our leverage decreased quickly as debt was amortized and cash generated. We finished the year with net debt to EBITDA of 5.8 times on a proportionate consolidation basis, which is still above our targeted range of 4.5-5.5. However, I'm hopeful we can get down to the top end of our range later this year.

Turning to slide 10, Mark mentioned earlier that we think Teekay LNG represents a compelling investment, in part because we are adding significant equity value through deleveraging and because we are increasing the returns to our investors in the form of well-covered distributions. Starting with the balance sheet, in addition to significant debt reduction, which I touched on in the previous slide, we also have over $460 million of liquidity and only one remaining debt maturity in 2021. Since we last spoke with you in mid-November, we completed two refinancings, each of them oversubscribed and at lower all-in interest rates, thereby reducing our interest costs and increasing our earnings and free cash flow. Our only remaining maturity is a $147 million equivalent Norwegian bond, which matures in October. And we have the ability to repay this with cash if we choose to.

At the bottom of this slide, we have charted out Teekay LNG's current and future yield against other income investments. At our current distribution of a dollar per unit per year, we are yielding 7.3%, based on yesterday's closing price. But if we project out to the distribution level of a $1.15 per unit per year, as announced today, we're trading at a forward yield of 8.4%, which allows investors to earn an 8.4% yield plus potential unit price appreciation over time as we continue to pay down debt, and since we are currently trading below our intrinsic value. In addition, this 8.4% yield is attractive relative to other income-producing investments listed to the left-hand side of this chart. At 8.4%, we were yielding more than double the high yield bond index and 275 basis points wide of the S&P energy index dividend yield. And with energy and small cap value stocks gaining more of a following so far in 2021, we are hopeful that new investors will take notice for relatively attractive yield, which is well covered.

I would now like to turn the call back to Mark to conclude.

Mark Kremin: Thank you, Scott. It's been a while since our last earnings call and we're happy to report strong operating and financial performance through 2020, despite the challenges resulting from COVID, which we have been able to successfully work through. We're glad to see the vaccines are being rolled out and we're optimistic that this will soon have a positive impact on the world economy and demand for LNG.

Looking forward, we believe TGP's unique portfolio of long-term fixed price contracts will continue to allow us to generate consistent cash flows, further reduce our leverage and return capital to our shareholders. The unique tailwinds in the global LNG industry provide a strong outlook for our business in 2021 and beyond. And we believe the steps we're taking today to further strengthen our financial foundation will position us well for the future.

Thanks for your time today. Operator, we are now available to take questions.

Operator: Yes, sir. Thank you. And as a reminder, if you would like to ask a question, you may signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, that is star one if you would like to ask a question. And we'll now take our first question from Randy Givens from Jefferies.

Chris Robertson: Hey guys, this is Chris Robertson on for Randy. Thanks for taking our call. So the first question is just around the distribution increase. I just want to get a little bit more color on how the 15% number was decided.

Mark Kremin: Scott, yourself or myself?

Scott Gayton: Sure. Maybe I'll take a stab. Yeah, thanks Chris. I think the first place that we start when we look at our distributions is what do we think is sustainable? And based on the cash flow portfolio that we have and also the income that we're expecting over the next number of years, it was just determined as an amount that we thought we could comfortably do, comfortably afford and would hopefully allow investors to give us another look and say, here's a company that's increased distributions by double digits over the last three years and has got a good profile. And so that'll hopefully get us noticed and maybe picked up this year after a couple of years of some frustrations.

Chris Robertson: Yeah, that makes sense. And certainly good luck with that. Moving towards, I guess, the industry. So, with BlackRock taking GasLog private, Golar possibly spinning off its LNG fleet later this year, maybe next year, what's TGP's appetite for industry consolidation?

Mark Kremin: Well, let's just start with a couple of those transactions. I think it's pretty exciting that we see an investor like BlackRock coming in. BlackRock has a very good reputation for ESG. And so the fact that they value shipping as part of the infrastructure of LNG is a real validation for our business. The second question you asked, I'm sorry, Chris, what was around it?

Chris Robertson: Just in terms of your appetite for consolidation.

Mark Kremin: Yeah. So we'll have to see. We typically don't comment on any specifics – but I think that the market does have consolidation opportunities. Obviously we've seen two companies go private – will be going private this year. There are more smaller ship owners around and there were certainly five years ago. And so I certainly don't know whether it'll be us, but I think some of these smaller ship owners, there's room for consolidation.

Chris Robertson: Okay. I guess last question from me. Regarding the $147 million NOK bond due in October, I know you mentioned that it could be repaid in cash, but I guess if you could ascribe some type of likelihood to that, are you leaning more towards just repaying it in cash or is it likely that it'll be refinanced in some way?

Scott Gayton: We do monitor that market very closely and we do think that we've got pretty decent access to it. And I think it's going to depend on what opportunities we see towards the maturity date to actually deploy that capital, and versus the rates we think we can get. So I think we're still in a wait and see more. I know that's not an answer to your question, but we're very much in a wait-and-see mode to see if there's a way for us to actually go and do something with the proceeds. I think it was good that we were able to pay off the Norwegian bond that we had because that market was not attractive at that time. And then we waited for the window to open up at the end of the summer and we saw that the rates were significantly lower. And so that was a great time for us to go and add some cash to the balance sheet for potential opportunities.

But then I think since that time, in some ways volatility just calmed down and there seems to be a more orderly future. And so maybe having that extra cash, or call it insurance, if you will, on the balance sheet is maybe not something that that we would need by the time we got to October. So I think we have to just wait and see, the world continues to develop and what opportunities we see, and then versus the pricing that we think we can achieve. So there's a bunch of different things go into it.

Chris Robertson: Yeah. I appreciate the details around your thought process there. I think that's it for our questions. Thanks for your time.

Operator: We'll now take our next question from Ben Nolan with Stifel.

Ben Nolan: Hi guys. I want to come back to the distributions a little bit and maybe less around the math of how you got to the number that you got to, and more maybe about the cadence of it. Third year in a row now that you've made a pretty meaningful increase in your distributions. And as you said, Scott, I mean, hopefully later this year, you'll be at the top end of your target leverage range. As you look out going forward, do you think this is – let's say the distribution increase here by 15% – do you think this is just another one of what could be a multi-year process, even going forward, of distribution increases? Or are you getting to a level where you can say, okay, this is a good plateau and incremental dollars can be allocated to growth because our leverage is down to where we want it to be? Just trying to get a sense of how, from a capital allocation standpoint, you feel about distributions in terms of the process and the life cycle of it.

Scott Gayton: Sure. So you're right. It is three years in a row now of double-digit increases, but I think we also have to remember that that's off of a relatively small base. And so the dollar value increases are not as sizeable as the headline percentage rates would be. And I think that that's important because really we do look at this on a free cash flow basis, is what are we generating, what's the net income, and how do we ensure that our distributions are going to be well covered? Not just by DCF, which is the old school MLP type economics, but really what is going to be covered by net income and cash flow?

So I don't really want to get drawn on what the future looks like. I think we do like the look back of having increased the distribution year over year and getting people to really evaluate and understand the cash flow that we have. So maybe with that, I'll see if Mark has any other comments.

Mark Kremin: Not really Scott. As you've mentioned and we've mentioned quarter over quarter, it's part of a balanced capital allocation program. So, as we see the unit price hopefully go up, as we look at fleet renewal opportunities that have been coming along with the FIDs taking install, if you look at all these different opportunities, when we look at the distributions next time, we'll take it course by course. So, as Scott said, we can't really say exactly where we're going to go, because we do have other things, other opportunities we're always weighing against now.

Scott Gayton: Maybe just following on again, I think the other thing we have to always remember as part of that balanced capital allocation plan is that our primary objective is to continue to delever the balance sheet. And we will do that naturally with around $300 million of amortization, which includes our joint venture debt on a percentage basis. And that still has to be our number one. We did lever up in order to take on that growth. And so that's the other part of the equation, is that we can't have a distribution that is at such a level that it will not allow us to continue our delevering efforts.

Ben Nolan: Okay. I appreciate that. And then secondly, just as it relates to growth and it may be getting a little bit closer to that, it's been reported that there's been new building contracts on vessels for the Mozambique project. I assume that you guys looked at that. I'm just curious as to how you see returns in the market now in incremental opportunities? Are they up to your threshold, or did you choose to pass on them, or it was just too early, or any color there?

Mark Kremin: We took a pass on the Mozambique project and there are two obviously Mozambique projects, the first one being Total, which is what you're referring to. We took a pass for a couple of different reasons, but one is, which is exactly what Scott just said, is they were expected at the time that the tender came out, to come a little closer to our delevering path. Now, things have been delayed in Mozambique, as we know, for various reasons and not just COVID. But when the first tender had come out, it wasn't lining up as well with our priority to delever. It does have some hair on it, as you know, and I've just alluded to. The returns for that one are – it should be double digit on the equity, single on the return for an unlevered – sorry, a levered basis.

But I'm not sure that – when we look at a project like that, I'm not sure that the risk-reward is there. So we're always looking at our risk adjusted return and it has to be seen. Unfortunately as the project gets delayed, I'm not sure that the ship owners are necessarily on the hook for those delays. But there is always a little bit of risk with a project like that.

I think that we're more interested, frankly, if you look at the big – probably the tender that's going to come out is probably Qatar. And obviously the returns would be a little lower, but the risks obviously should be correlated lower too. So when we look at a big portfolio, we have African business now, we have it in Angola. We have Middle East business, we have infrastructure projects, we've got the risk side of it all. And I think we're a little bit more leaning, right now this year, towards later deliveries, which are a little bit less risk.

Ben Nolan: Okay. That's helpful. And then last, I want to come back around to one of the questions that you'd answered earlier, not really about consolidation, but on that theme. Obviously you have an infrastructure fund that's buying infrastructure sort of assets. Maybe not as a buyer, but as a potential, I don't know, seller. Is that at all, something that you guys have given any consideration to, or that you think there would be any appetite for?

Mark Kremin: Ben, we're always obviously assessing opportunities to increase shareholder value, but we don't comment on things like that. As I said to you, it is interesting that you see infrastructure, it's a validation for our business and we'd like what's happening with infrastructure coming on, especially with the likes of a BlackRock. So I think it can only be good for the industry.

Operator: We'll take our next question from Omar Nokta with Clarkson Platou Securities.

Omar Nokta: Hi, Mark, Scott. Good morning. I think Scott may have already answered this in the last question from Ben, but I wanted to ask how you guys are thinking about things now with the deep backlog you have and leverage is approaching the target. You boosted the payout and in terms of key priorities going forward, is it still the most important thing, number one right now, is to delever and get within that range?

Scott Gayton: Yeah. Hey, Omar, Scott. Yeah, I think that is still the number one priority. As I said earlier, we did take on a fair amount of debt. And even though the debt is completely manageable because of the fixed rate contracts we have, and that we feel very confident and have seen over the last number of years that all of them perform as expected, I think that none of us want to get back into that position because it just really limits your flexibility to add value going forward. And so I think that we would want to see ourselves at least have a trajectory to get into that, into our target leverage range before we start to look at ways of adding to our leverage portfolio. So I think it still is the number one. And so, Mark, I don't know if you have any other comments, but that's what I have.

Mark Kremin: Nope, fully agree Scott.

Omar Nokta: And then Mark, you mentioned the Qatar gas tenders and with them taking FID on the Northfield expansion recently, have you gotten any sense of timing or any information regarding those tenders or what they would consist of, or any update on that front?

Mark Kremin: No, the industry hasn't yet, as far as I know, received an updated timeline. Maybe the ship builders are having some dialogue as a result of the FID, but we don't have a ship owners' clear deadline or timeline yet. It was initially expected not to be until June or so and I don't think that's changed at least. So it's going to be a little while. And then the ships actually, when they are awarded, our understanding is they'll stagger out. So even if they order – sorry, award a stack of ships this year, those deliveries might be staggered out to 2025, 2026, 2027 or so, in years.

So we don't have a great update for you, but we are still a spec expecting it here this year. It's probably the most probable. And the thing I really liked about it is the carbon capture aspect on the liquefaction side. So it's just another, I think, good thing for the industry that if you have a liquefaction project like that, it's becoming increasingly clean and it can really compete for decades, as we said, over other fuel sources.

Omar Nokta: Thanks, Mark. That's interesting. Yeah, we'll stay tuned. One general question I have, and I know you don't have really that much exposure to spot rates. I wanted to just ask you this, spot rates started to gradually move higher this past fall. And even as they're moving up, we really didn't see charters go crazy looking for time charters. Obviously, there were some opportunities, like you guys took advantage of, with the Methane Spirit, but generally it didn't seem that active. And then sure enough rates squeezed and pretty much all charters, at least we got the sense, were caught short. Do you think charters attitudes may change here, as we think about say the next time there's a run-up in rates? Any indication you received that – or you have received that they're looking more actively for contracts?

Mark Kremin: Well, you're right, we didn't see a lot of time charter opportunities. We didn't have a lot to offer, but we have just a little bit. So we have a good understanding of the time charter market and there haven't been a lot of time charters. The market run-up, I think, wasn't even that much experienced by individual ship owners because sublets were able to take some of these more exciting fixture rates.

In terms of what happens in the future, even though there weren't a lot of time charter opportunities, I'm not sure that that won't be the case in the future because the charters like Teekay that 2021 and 2022 will probably be relatively weak, is how we, and I think most charters view it. So, even though they saw the run up, I think they also saw this coming down, which it now has.

As we look into the, the winter, I think there'll be another seasonal peak in the winter. But I think we'll have another dip in 2022. I think we share that with our charters. But as you look 2023, 2024, 2025, again, I think the charters share our view or vice versa. And I think you'll see more time charter starting around that period of time.

So, for us, the Creole Spirit, we're actually – as we said in their prepared remarks, we're not eager to get a time charter on fixed rate basis, at least right now, because we think that the time charters that are available, they're just not that they're just not that favorable. We have a big enough portfolio that we can actually let the Creole Spirit, I think, ride on a rate basis a little bit this year. And hopefully be able to get one of those time charters I mentioned, later.

And so we just have this two ships, basically, we're looking at this year, the Oak and the Creole, both of which have been chartered by Cheniere. And that'll be our focus this year.

Omar Nokta: Got it. Okay. Thanks. I appreciate it. That's it for me.

Operator: Our next question will come from a Chris Tsung from Webber Research.

Chris Tsung: Hey, good afternoon guys. I wanted to – well, one, comment on the record results. Great job fixing that portfolio all of 2021 and most of 2022. And I guess I wanted to probe in a little bit more on the fleet, could you guys see yourself chartering-in more vessels, time chartering more vessels to participate in, or lever your opportunities to capture what you guys are talking about? Like a stronger uplift in 2023, 2024.

Mark Kremin: We haven't been looking at in-charters right now. I think the lines a little bit hard for me to hear, sorry, but I think you talked about how their rates will be expecting to be improving in 2023 and 24. And would we be in chartering to take advantage of that? Is that what I heard?

Chris Tsung: Yeah. Sorry, this better?

Mark Kremin: Yeah. So if that's what I heard, fine. We have done that in the past very successfully. We have one charter that we have onto Petrobras, which is a sub-charter. We're chartered essentially from the JV, and we were able to lock in those returns almost in advance of doing the charter. And so that's been exciting. If we see that opportunity to, again, we're there to do it for sure. We haven't seen other – any other owners yet looking for charters out to – or sub-charters for that matter, to other owners. That's not a typical thing that happens in LNG. Maybe that's changed, just like the rest of the industry has been changing more towards the crude sector. But no, right now you don't see a lot of in-chartering opportunities from owner to owner, but if it comes up, it's something we would certainly look at

Chris Tsung: Cool. That makes sense. And I guess on capital allocation priorities, I know the priority right now is delever. But I guess I needed to ask, are there any appetite or desire for secondhand vessels perhaps, or is all of the cash flow from operations going to delever and possibly with bidding on the Qatar tender, is that the right way to look at it?

Mark Kremin: Yeah, I think you're right. I think our preference is for new builds for a couple of reasons. Number one, as Scott mentioned, our number one priority is delevering. And with a new build, we can order today, theoretically, and we won't take delivery until we are delevered. So we've met both goals. If we were to buy second hand, today or next year, whatever – certainly this year – we run into that, have we sidetracked our delevering more? That's one.

The other thing is the ships that are our bread and butter, our real goal, although we're going to let the Creole float, if that's better, we prefer a portfolio, by and large, in fixed term contracts. That's our hallmark. The secondhand opportunities that we've been seeing and we'll probably see in the future, if they come with any contracts, they're not that long. So our hope is that when a tender comes out – we'll just use Qatar as an example – that we can bid for relatively long-term contracts that are delivering later. And our competitors, hopefully, won't be as competitive as they've maybe been in the past, because they do have a lot of these ships that are delivering now and they're having to deal with that, whereas we have nothing on the order books. We haven't ordered a vessel in over five years and so we're just building our powder up.

Chris Tsung: Thanks. And just one last question on, I guess, touching on your comment early on, on risk and reward. I think I read some reports earlier this year about a damage to one of your Arc7s while traveling the Northern Sea route. Can you provide some color here and is there any impact to TGP when a ship is damaged? Because I understand that it needs to go in for repairs, but I wasn't able to understand the extent of it. Thanks

Mark Kremin: Thanks. Yeah. In that case, it looks like we've got some damage. We've had it in one of the pods, which we use instead of propulsion – for propulsion instead of propellers. So the ship will be in in the dry-dock starting tomorrow and we'll get her fixed and we'll put her back up in Sabetta. We don't expect there to be any – it's insured. And as far as deductibles go, we actually are currently not expecting that there'd be any liability for the owners. So I think it should be a non-issue is how we see it. Although we do have to get the damage done – repaired, I should say, over the next couple of weeks.

Chris Tsung: Okay, great. That's it for me. I'll turn over. Thanks guys.

Operator: Our next question will come from Liam Burke with and B. Riley

Liam Burke: We discussed earlier on the new builds. Is there anything adjacent to the industry that has the types of returns that meet your discipline, like in the FSRU space?

Mark Kremin: I may have missed most of your question. I'm not sure if there was a mute or something, but I did pick it up at the end. You talked about adjacent opportunities. The answer is yes. Yeah. So we look at it at a number of things. For instance, if we look at very large ethane carriers, that might be a possibility someday. It's in the nascent stages. And we have that type of expertise. And if there's a good tender that comes out, that will be of interest to us. The FSRUs are an adjacency. It's relatively easy to – in fact we're doing it right now. We do regasification at the Bahrain terminal. So that would be something we could do. The issue we have with FSRUs at the moment, in our opinion, is that their over-ordered, or I should say, even on the sea.

So, but that's something we would definitely take a look at. The LPG business is something we really like on our midsize and the fully refrigerated. It's somewhat limited on how much growth we can have because we're already relatively dominant through that JV and in the midsize space. But that has adjacencies too. As you know, we also carry ammonia. And as ammonia becomes a bigger part of the energy mix, we could be carrying a lot more ammonia for instance.

And then we talked today about how we think hydrogen is a relatively small part of the energy mix going forward for the near term. And that's true, but to the extent, things like that come up, different types of liquefied gases or the capture of liquefied – the carriage of captured gases, etc., we've got a pretty good team – a real good team, I think – to take a look at that and take advantage of these liquefied gas adjacencies, wherever they may come. But in the near term, in this year, I think the opportunities we're most likely to take a look are simply our LNG carriers.

Operator: That does conclude our question and answer session. I would like to turn the conference back over to Mr. Kremin for any additional or closing remarks.

Mark Kremin: Well, I'd just like to thank everyone for their support and look forward to catching up with you next quarter, if not sooner. So thank you very much.

Operator: And once again, that does conclude today's call. We thank you all for your participation. You may now disconnect.